

Message Text

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ORIGIN EB-11

INFO OCT-01 EA-11 NEA-10 IO-15 ISO-00 AGR-20 CEA-02

CIAE-00 COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08

L-03 LAB-06 NSAE-00 NSC-10 PA-03 RSC-01 AID-20

CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-15 PRS-01

SPC-03 OMB-01 AF-10 ARA-16 EUR-25 OIC-04 /238 R

DRAFTED BY EB/OT/GCP:ELWILLIAMS

APPROVED BY EB/OT/GCP:ROPRICKET

STR:AGARLAND

TREAS:CLEIGH

COMMERCE:DRHOR

COMMERCE:JJOHNSTON

NEA/INS:DBORN

EA/IMS:JBESHOAR

EA/K:HNEWSOM

NEA/INS:JLEADER

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P R 270303Z SEP 73

FM SECSTATE WASHDC

TO USMISSION GENEVA PRIORITY

INFO AMEMBASSY COLOMBO

AMEMBASSY JAKARTA

AMEMBASSY NEW DELHI

AMEMBASSY SEOUL

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E.O. 11652: N/A

TAGS: ETRD, GATT, IN, ID, CE, KS

SUBJECT: GATT: BALANCE OF PAYMENTS (BOP)

CONSULTATIONS, SEPT. 27--INDIA, INDONESIA,

KOREA, SRI LANKA

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REF: (A) GENEVA 5009, (B) GENEVA 5076

1. U.S. REP AUTHORIZED TO ACCEPT COUNTRY SUBMISSIONS FROM SRI LANKA, KOREA AND INDONESIA IN LIEU OF FULL BOP CONSULTATIONS (GATT BOP DOCUMENTS 135/135 ADD. 1, 136 AND 138, RESPECTIVELY).

2. WHILE WE BELIEVE SOME OF IMPORT RESTRICTIONS IMPOSED BY THESE COUNTRIES ARE LESS THAN OPTIMAL FROM STANDPOINT OF MINIMIZING INCIDENTAL ALLOCATIVE EFFECTS AND CAUSING LEAST DISRUPTION OF WORLD TRADE, WE ACCEPT FACT THAT THEIR BALANCE OF PAYMENTS POSITION PROBABLY JUSTIFIES SOME FORM OF RESTRICTIVE MEASURES. MOREOVER, WE SHARE MISSION'S DESIRE TO ENCOURAGE LDC'S TO PARTICIPATE AS FULLY AS POSSIBLE IN MINI-CONSULTATIONS BY NOT PRESSING TOO HARD ON THEIR MAINTENANCE OF RESTRICTIONS--WHICH IN MOST CASES COULD APPARENTLY BE JUSTIFIED UNDER GATT ARTICLE XVIII--BUT ON THE NATURE OF THOSE RESTRICTIONS.

3. IF APPROPRIATE, U.S. REP MAY WISH TO NOTE THAT COUNTRY SUBMISSIONS GENERALLY LACKED DESCRIPTION OF RATIONALE LINKING BOP GOALS AND TRADE POLICIES. HE SHOULD AT HIS DISCRETION DRAW ON THE FOLLOWING INSTRUCTIONS IN MAKING STATEMENTS EITHER WITHIN CONTEXT OF BOP COMMITTEE MEETING SEPTEMBER 27-28 OR BEFORE GATT COUNCIL WHEN RESULTS OF THESE CONSULTATIONS ARE UP FOR ADOPTION OR APPROVAL.

4. KOREA: WE AGREE THAT KOREA IS BORDERLINE CASE. ROK MAINTAINS HIGHLY RESTRICTIVE IMPORT POLICY IN FACE OF CHRONIC TRADE DEFICIT AND IN CONNECTION WITH EFFORTS TO FOSTER DEVELOPMENT OF DOMESTIC INDUSTRY. U.S. REP SHOULD STATE THAT WE RECOGNIZE KOREA'S BOP SITUATION MAY REQUIRE SOME MEASURE OF CONTROL OVER IMPORTS. HOWEVER, HE SHOULD INDICATE THAT KOREA'S EXCELLENT TRADE PERFORMANCE RECENTLY, WHICH LED TO A REDUCTION IN TRADE DEFICIT FROM 1.05 BILLION DOLLARS IN 1971 TO .58 BILLION DOLLARS IN 1972 (FIGURES BASED ON REPORTS FROM U.S. EMBASSY-SEOUL), MAKES SUCH A HIGH LEVEL OF RESTRICTIONS QUESTIONABLE.

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5. WE ARE ANXIOUS TO SEE KOREA TAKE STEPS TOWARD INCREASED IMPORT LIBERALIZATION IN LINE WITH ITS IMPROVING BOP POSITION. FYI: IN VIEW OF KOREAN EFFORTS TO INCREASE IMPORTS FROM U.S. AND U.S. RESTRAINTS ON SEVERAL MAJOR COMMODITIES OF EXPORT INTEREST TO KOREA, WE NOT INCLINED TO PRESS THEM TOO HARD ON QUESTION OF LIBERALIZATION AT THIS TIME END FYI.

6. INDONESIA: WE HAVE NO SPECIAL RECOMMENDATIONS TO MAKE. WE NOTE THAT INDONESIA'S DEFICIT ON CURRENT ACCOUNT IS ESTIMATED AT SOME 770 MILLION DOLLARS FOR 1973, WHICH WILL BE THIRD CONSECUTIVE YEAR THAT CURRENT ACCOUNT HAS DETERIORATED. WHILE WE ARE PLEASED THAT GOI SWITCHED OVER TO BRUSSELS TARIFF NOMENCLATURE (BTN) IN JANUARY OF THIS YEAR, WE WOULD HOPE THAT FURTHER STEPS MIGHT BE TAKEN TO IMPROVE CONCORDANCE BETWEEN BTN AND PREVIOUS SYSTEM. SIMILARLY, WE WOULD APPRECIATE BETTER INDICATION THAN IS PROVIDED IN BOP/138 OF HOW INDONESIA'S RESTRICTIVE MEASURES FIT INTO ITS OVERALL TRADE POLICY AND BOP STABILIZATION PROGRAM.

7. SRI LANKA: WE HAVE NO SPECIAL COMMENT. U.S. REP MAY EXPRESS APPROVAL OF THE EXCELLENT IMF REPORT ON SRI LANKA AND URGE IMPLEMENTATION OF FUND'S RECOMMENDATIONS TO MAXIMUM EXTENT POSSIBLE.

8. WITH RESPECT TO INDIA, U.S.REP SHOULD REITERATE THAT FULL CONSULTATIONS WARRANTED IN VIEW OF RECENT CHANGES IN IMPORT REGIME, WHICH NOT ONLY INTRODUCE NEW RESTRICTIONS BUT MAY INVOLVE YET FURTHER INTENSIFICATION OF LEVEL OF EXISTING RESTRICTIONS. FINALLY, WE AGREE WITH MISSION (REF. B) THAT DETAILS OF RECENT GOI EMBARGO LIST AS WELL AS 55 NEW ITEMS ADDED TO RESTRICTIVE LIST SHOULD BE MADE AVAILABLE WELL IN ADVANCE OF OCTOBER 31 BOP COMMITTEE MEETING ON INDIA. U.S. REP AUTHORIZED TO MAKE SUCH REQUEST DURING MINI-CONSULTATIONS. RUSH

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